

REPORT ON TAXATION STATE PRESS ASSOCIATION

To the Officers and the Members of the Nebraska State Press Association:

Ladies and Gentlemen:—Your committee appointed at the last State Convention, held in Omaha, June, 1913, to investigate and report upon the subject of taxation in Nebraska, begs leave to submit the following in compliance therewith:

In the first instance, this committee desires to extend to the editors of this state its heartfelt thanks for their ready assistance asked by the committee. In order the better to ascertain general public sentiment, the committee drafted a form of ballot stating certain propositions in tax reform and asked the readers of Nebraska papers to vote thereon. The editors of the state, to the number of about one hundred and fifty, kindly inserted in their papers a stereotyped plate of the ballot, and some others set up the form in their own establishments, publishing the same in their papers. A copy of the ballot to which reference is made is hereto attached and made a part hereof.

The most conspicuous result of the vote cast is the demonstration made that the present revenue system of Nebraska has few if any intelligent defenders anywhere within the state. Our revenue statutes, published in a book of more than 120 pages, are a most pitiable jumble of idiocies, the strict enforcement of which would crush out of existence every vestige of enterprise in the State of Nebraska, except that of the foreclosing of mortgages and the business that grows out of sheriff's sales. Were it possible strictly to enforce these revenue laws, the people would flee the state as from a pestilence, and its prosperity would be doomed. Therefore, while it is generally dangerous to allow public officials any discretion in the execution of the law, still the people of this state owe to their tax officials a certain debt of gratitude for their non-enforcement, even were the enforcement of these revenue laws possible.

There is today before the people of this state an amendment to our constitution which would, if adopted, enable the legislature, which under our initiative and referendum laws, includes the people, to remedy the defects of our revenue system. The result of the voting upon the question mentioned was to record a very large majority of the newspaper readers of the state in favor of that amendment. Even those who voted against it evidently did so through a misapprehension of its purport. This is proved by the fact that invariably these same readers who rejected by their ballots this amendment, made suggestions of changes in our revenue system, every one of which would be impossible unless this amendment is carried next November. Apparently their opposition is less to the amendment than it is to the legislature. They fear the exercise by the legislature of any larger power. Yet this fear is groundless, especially in view of the fact that in Nebraska, thanks to the initiative and referendum, the legislature means or includes "the people."

The main object of the ballot was for the committee to find out if, in the average reader's mind, there was any idea that the State ought not to tax those things that the people desired and ought to have, or things that could hide or run away, or that could and would come into the State. To the question as to whether the reader favored the taxing of farm implements, stock or other products of the farm, the vote showed about an equal division of opinion, as it also showed an equal division of opinion as to the taxation of personal property. Yet an amusing feature of the balloting was the reasonable unanimity of opinion among certain farmers that farm implements and products should not be taxed, though they voted "yes" to the question as to whether manufacturing machinery and merchants' goods ought to be taxed. Overlooking entirely the disposition to tax the city and town producer while allowing the farm producer to escape, these readers failed to see that when they vote to tax the manufacturer or the merchant they only vote to tax themselves, since the tax is invariably added to the price of the goods produced and shifted onto the farmer and all other consumers of the goods. Such taxes are never paid by the person upon whom they are levied.

The present constitution of the state, evidently with the idea of encouraging the planting of trees, contains this provision: "The legislature may provide that the increased value of lands by reason of live fences, fruit and forest trees, grown and cultivated thereon, shall not be taken into account in the assessment thereof."

On account of the unfortunate wording of that section, it has not contributed, as it otherwise might have done, toward the cultivation of trees

of all kinds in this state. If it was the intention of the framers of the constitution to encourage tree planting, this section should have enabled the legislature directly to exempt from taxation all trees, and not merely stated that the increased value of the land due to that fact should not be assessed. This, for the simple reason that the exact amount of increase in the value of the land due to the planting or cultivation of trees could never be ascertained with any degree of accuracy. However, the vote showed about 85 per cent. of the readers voting to be in favor of the exemption from taxation of all trees. This shows that in the minds of these readers there is a comprehension of the idea that to tax trees will tend to the elimination of them, either by cutting down or neglecting them, and discouraging their planting and cultivation in the first instance. The converse of this is also perceived by these readers in recognizing the fact that to exempt from taxation all trees would encourage the planting or cultivation of trees in this formerly treeless state.

It is a fact deserving of notice that though the Constitution directs that the value of land by reason of trees may be exempted, the law passed by the legislature presuming to carry out this provision, exempts only forest trees. Why this apparent discrimination in favor of timber lands, which largely require no attention, as against the fruit orchards, which require large expenditures and the constant attention of the fruit growers, and the products of which come more directly into touch with the consumers of the State?

Let it be observed here that if to exempt trees from taxation will tend to produce orchards and timber lands, why will not the exemption of industry of all kinds from taxation encourage the establishment of industries of all kinds in this State?

There was also about 85 per cent. of the vote cast in favor of State income and inheritance taxes.

The question of taxing the market value of franchises secured the highest affirmative vote of any question on the ballot. It was almost unanimous. There might be some of the spirit to "soak the corporations" in this vote, and yet there is some considerable degree of justice in the idea that the franchises of public service corporations should be taxed. For the franchise usually constitutes the most valuable part of the assets of these public utility corporations. The franchise is practically never taxed at present. The justice of taxing these franchises is in the fact that they constitute a natural monopoly granted by the people to the corporation, and are not in any sense the result of the efforts of the corporation itself. If the state were to exempt the tangible property of these corporations and tax only the land values and the franchises, it would at once be seen that these properties would be greatly improved and increased, while the rates for their services would be reduced.

This question of taxation, like most public questions, proves how the people in general may be opposed, and vigorously opposed, to the present system, and yet utterly unable to suggest a remedy. It is because of this general ignorance of the question of taxation that Privilege is able to "put across" so many unfair jobs upon the people. And the pitiable thing of it is that the people themselves are misled into the support of these oppressive measures.

Naturally, then, it followed that in response to the question upon the ballot as to the source from which revenue should be derived, only about half of those voting suggested any remedies at all. However, of the total who did make suggestions of a remedy, about 75 per cent. either solely or in connection with other ideas, mentioned the value of land as the proper source from which revenue should be derived.

An overwhelming number of those voting supported the idea that the matter of local taxation should be left in the hands of the counties or cities directly interested. Local control of taxation is one of the progressive ideas of our time, and soon or late must be conceded to every community of the state.

Your committee is disposed to propose to the editors of the State some suggestions in the line of progressive reform in matters of taxation.

First. There should be every support given to the amendment to our Constitution to be voted upon in November, allowing more discretion in matters of taxation upon the part of the legislative body whether that body be the legislature or the people direct.

Second. There should be established a State Tax commission, with power to appoint a State Assessor to hold office for several years continuously, and whose conduct should be

subject to revision by the commission. There should be elected in every county an assessor for such county, with power to appoint his own deputies. He should be ex-officio a member of the State Tax commission. There should also be chosen in each community a local assessor whose jurisdiction should be within such community only. The County Assessors should constitute a county tax commission, which should sit as a board of equalization in all matters concerning assessments of property in such county. The action of such county tax commission should, however, be subject to review and further adjustment, wherever necessary, by the State Tax commission.

Third. When the law makes certain exemptions from taxation, as of churches, schools and the like, it should not leave such matters in the hands of local assessors. Assessors are not the proper persons to decide matters of law. Such should be for the courts to determine. Therefore all assessors should be required to make assessment of all property of any class taxable under the law. Church property, schools not owned by the state or municipality, hospitals and all similar institutions possessing kinds of property taxable under the law, should be listed for taxation by the assessor. After such listing, the parties directly concerned, feeling they might be exempt from taxation under the law, should apply to the courts of proper jurisdiction for an order for such exemptions.

(Parenthetically, it might be remarked that it is the judgment of your committee that the constitutional provision all "ing exemptions of such properties, has been grossly abused when exemptions have been allowed to commercial schools and hospitals privately owned for private profit. There are many thousands of dollars of such properties in this State that have escaped taxation, notwithstanding the fact that these institutions are privately owned and controlled and conducted for the private profit of the owners.)

Fourth. Though the Constitution directs that the value of all property shall "be ascertained in such manner as the legislature may direct," it would appear that the courts have arbitrarily ruled to inhibit the legislature from using any discretion. If this general property tax which, largely, the courts have forced upon the people, was intended to effect an equalization of the burden of taxation, it has miserably failed. For instance, household goods used in a private dwelling cannot be said to be of equal value for purposes of taxation as such goods used for hotel purposes, out of which a profit is gained. The same is true of all other things privately used, such as personal effects of every nature. Under the law, the clothing upon your backs is supposed to be taxed on the same basis as the clothes in the stores. The one has reached its final consumer, while the other is for sale at a profit. Therefore, even under the present antiquated and clumsy Constitution, in spite of the judgment of courts, the legislature ought to be empowered, and it is so empowered, to use some discrimination in this matter.

Fifth. The statute providing that lands should be assessed every four years, while other properties are assessed every year, should be repealed. If our Constitution intends what it says about equality of taxation, this statute is clearly in violation thereof. It is an unjust discrimination in favor of large land holders and against enterprising citizens. To illustrate this, consider this single instance in the city of Omaha. There is at the corner of Sixteenth and Farnam streets a single lot, valued by its owners at \$600,000. At the assessment of 1908 this lot was assessed at \$132,000. At the next quadrennial in 1912, the assessor raised this figure to double that amount, or \$264,000, which was said to be the increase in value during the four years. The Board of Equalization afterward raised it to \$400,000.

Let us be conservative. Let us consider the figures of the assessor only. In 1908 the value of this lot, not counting the improvements, was \$132,000. In the following four years it had increased to \$264,000. This shows an average increase during the quadrennial period of \$33,000 per year. Add these figures, and you get the following result: In 1910, \$33,000 land values on this lot escaped taxation entirely; in 1911, \$66,000; in 1912, \$99,000. Added together this showing is that \$198,000 of land values on that lot alone were not taxed, and never can be taxed, because the quadrennial-assessment-of-land law exempted these land values from taxation during that period. Now suppose a merchant or manufacturer or farmer, through the individual skill and thrift of either of them, had added to his property in goods produced by human toil that or any other sum each year. Would the law have exempted him from taxation upon that amount? And yet the increase that he might add to his property could

result only from his individual enterprise, while this increased value comes to this land not only independent, but in spite of what the owners have done. That is the manner in which the present revenue laws of this State reward those who are indolent and punish those who are thrifty.

Sixth. There should be a provision of law requiring each owner of land to make his own assessment, fixing its value for purposes of taxation. As a penalty for false estimates, any person or the State itself should be empowered to purchase such lands at the value so fixed by the owner. By this means there would be a more equitable assessment of lands throughout the State, most especially nearest to the centres of population. The nearer we go to the centres of our cities the more inequitable do we find the assessment of lands. In the City of Omaha it will be found that the highest valued lots average for assessment about fifty per cent. of their market value, while the average home owner's land is assessed nearer to 75 per cent. of such value.

Seventh. Many people do not realize the absurdity of the law requiring that taxes shall be levied upon only one-fifth of the assessed valuation. This law was framed and passed at the behest of the railroads, and the only honest excuse, if such can be considered honest, was that by this process the taxing authorities would be limited in the amount of taxes raised. In actual practice the taxing authorities can raise only sufficient revenue to administer economic government, and if they dare go beyond this the people will check them. The result of this law is to show high levies for taxation, which give the state an unfair standing in the other sections of the country, where it is not understood that the levy is only upon one-fifth of the assessed valuation. Your committee would, therefore, recommend that this law be repealed and that levies be made upon the actual assessed valuation, cutting down the levy.

Eighth. All personal property taxes should be repealed. They are unjust in their very nature. They compel people to commit perjury, and they punish those who attempt to be honest. Furthermore they are utterly impracticable. No assessor can come any way near estimating the value of personal effects of the rich, while he may approximate the value of the personal effects of the average person. This operates to compel those who are least able, to pay a higher percentage of taxes than do those who are better able. Furthermore, if the cost of assessing and collecting such taxes were carefully considered, it would be found that the cost about equals the amount of taxes from this source. One of our leading county assessors recently stated that if he were to attempt a strict enforcement of the personal property tax law of this State, he would be assassinated within two weeks. What can be said in defense of a law that is utterly impossible of enforcement, and if it could be enforced would about destroy the enterprise of the State? The fact is, severe as the statement may seem, that much of the prosperity of this State is due to the fact that, judged by the standard of honesty enforced by our tax laws, nine out of every ten of our people are liars and willful perjurers.

Ninth. As a step in the line of progressive legislation, the State should provide for the assessment of all franchises in the State according to their market value. It should also provide for the assessment of the land of the State under the supervision of the State Tax commission, eliminating as far as possible taxes upon improvements. This is the only means by which a just assessment can be made—an assessment that would not discriminate in favor of one county as against another. It should then be provided by the State that all State revenues be derived from a levy upon such values. This would effect a just distribution of the burden of taxation among the several counties of the State in exact proportion to the value of the lands and franchises located in each county of the State. Since the value of these franchises and lands is a perfect barometer of the general wealth conditions of the communities where located, this system would effect a condition which would soon make of this State one of the most prosperous and thrifty of the Union. Enterprise and capital and population would be attracted to our State from all the surrounding states. Naturally, Nebraska is the garden spot of the land, and such a progressive move toward reform of our tax laws would make it economically and in every other respect the most attractive place in the nation in which to live, in which to produce wealth and in which to rear the generations yet to come.

Respectfully Submitted,
LAURIE J. QUINBY,
Chairman.
DON C. VANDEUSEN,
HORACE M. DAVIS,
A. W. LADD.

To Stop a Hole.

If using plaster of paris to fill a wall crack moisten with vinegar instead of water, which will make it more like putty. Work it in the gap and smooth with an old knife. It will not then harden before you have time to apply it as when water is used.

Character.

Character is made up of small duties faithfully performed, of self denials, of sacrifices, of kindly acts of love and duty.—Emerson.

Old Coats and Old Friends.

My coat and I live comfortably together. It has assumed all my wrinkles, does not hurt me anywhere, and is complacent to all my movements, and I only feel its presence because it keeps me warm. Old coats and old friends are the same thing.—Hugo.

Could Stand It Longer.

A lecturer one torrential night addressed an audience which might have been much larger without taxing the seating capacity of the hall. Naturally, he was willing to curtail his ad-

dress, and, having reached what he considered the psychological moment, said: "I'm afraid I've kept you too long." Whereupon a voice replied, "Go on, it's still raining."

Praise.

Praise is of no use as a mainspring.

OUT-OF-ORDINARY PEOPLE

SAYS CREOLES ARE NOW UP TO DATE



Orleans well; but it was the New Orleans of old, the New Orleans of the Creoles who have lived all their lives there into old age who have never been north of Canal street, the main thoroughfare.

Representative Albert Estopinal of Louisiana, himself a Creole, says that the manners and opinions of these proud people of the old regime have undergone marked change within the past generation.

"Within the last thirty years there has been widespread adoption of what may be called up-to-date American ways of thinking by the Creoles. There are those still left, however, who adhere to the old traditions of the blood, for we are all proud of our French and Spanish ancestry.

"Not so very long ago I had occasion to go into the new residential district of New Orleans. I took with me in my car a relative who was a native and resident of New Orleans—a Creole, like myself. Now, although he was well along in years, he was as much a stranger and exhibited as much novel interest in that quarter of the city as though he had been fresh from a foreign land. He knew New Orleans well; but it was the New Orleans of old, the New Orleans of the Creoles who have lived all their lives there into old age who have never been north of Canal street, the main thoroughfare."

DIDN'T KNOW CONGRESSMAN KENT

Perhaps the worst of all the petty annoyances that beset a congressman's path is to have some of the swarm of employees about the capitol fail to recognize him.

"And this, irritating at all times, becomes a source of extreme mortification if any of your constituents happen to be around," observed Representative Kent of California, commenting on a recent contact with this bony little thorn along the congressional trail.

"Some friends from home, to whom I wished to show special attention, dropped in on me," he said, "and I devoted myself to showing them about the capitol. They were keenly alive to the distinction of having their representative personally conduct them, and were profuse in their expressions of regard for my courtesy—hence the situation was all the more embarrassing when, on seeking to enter the members' gallery, I was incontinentally halted by a raw and ignorant assistant-something-or-other and curtly forbidden to enter.

"Of course, it was all straightened out and the fellow apologized. But the damage had been done. After that miserable little episode things were different in that party. The paint had come off the doll and I could feel that they felt I must be small potatoes if an insignificant little whifflet like that didn't know who I was. You see, they couldn't get out of their back-home way of looking at a congressman. Back there, everybody knows him; even the boy who brings the groceries knows him by sight—and to find some one right here under the very dome who does not!

"And the worst of it all is you cannot explain to them that there are 400 of us right here; explaining would only magnify it.

"So, you just have to let them take home the memory of you—with the sawdust leaking out!"



CONGRESSMAN HENRY'S WITNESSES



The effort to change the date of the presidential inauguration from the 4th of March to a more reasonable day bobs up in the house of representatives from time to time. During the present session a hearing upon the matter before committee was set for a day on or near the 4th of March.

It happened that a terrific blizzard struck the capital that very morning. As the committee members, witnesses, reporters and others gathered the blast rattled fiercely at the casements and the swirling snow and sleet drifted high against the window panes. When some remark was made about certain witnesses not appearing on account of the weather Representative Henry of Texas, who is an ardent advocate for a change of date, seized the opportunity.

"Witnesses!" he exclaimed, dramatically. "Witnesses! There are our witnesses!" and pointed out through the windows. "Hear them testify! Boreas, the north wind, and snow and sleet and driving storm and biting cold! They are testifying to their presence here at this season."

BRILLIANT MME. POINCARÉ

Here is a love story—all the way from France. A husband risks misrepresentation and even ridicule to honor his wife, and he is president! The gallantry and courage of Poincaré have made presidents' wives equal to queens.

Mme. Poincaré's position is, of course, as delicate as brilliant. One of the republic's dogmas is that France requires no queen. For instance, heretofore when a French president drove in state to Longchamps, honoring commerce, sport and fashion in the culmination of the season, nobody noticed if his wife was present with him.

But Mme. Poincaré is different. And Poincaré is very different. His wife must take her place; it is his principle; it is his joy. And Paris admires. He is pretty sure to be attacked for it. In the general attack which is preparing against him, but Paris admires a man who will fight.

Certainly he fought for his wife before the royal visits. Mme. Poincaré rode beside Queen Alexandra. She took King George's arm in public ceremonies. She was photographed, standing as straight as an arrow, very young and stylish, by King Christian, the two making the prominent couple, as he saluted at the review. She showed everywhere with the four royalties, before all Paris and the world—as beautiful and royal as a queen.

